



**United States  
Fish & Wildlife Service**

**Memorandum**

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**Date**

**10/01/2004**

**From**

**AD - Budg, Planning & Hum Res**

**Subject**

**Updates to Activity-Based Costing/Management for FY 2005**

We just want to update you on the changes to Activity Based Costing/Management (ABC/M) for FY 2005. As you know, Activity-Based Costing (ABC) was implemented pay-period 0403, January 11, 2004, throughout the FWS. It was our intention that this first year be approached as an adjustment and transition period giving employees and timekeepers an opportunity to get comfortable with ABC and coding procedures – letting some of the minor kinks work themselves out. As with any new system, we anticipated that there would be implementation issues that would require immediate attention, and other non-critical issues, as well as general improvement suggestions that could be addressed as we began the new Fiscal Year for 2005. The Planning and Evaluation Staff assisted by Grant Thornton (our consultants on this project) have been working hard to be as responsive as possible to those problems of a critical nature. In June, we asked the Regional and Programmatic contacts to develop a comprehensive list of ABC issues, problems and areas needing to be improved for FY05. At the end of July, a group of FWS Deputy Assistant Directors and Deputy Regional Directors met in Denver to make decisions related to ABC (and other issues) for FY05.

Changes were kept to a minimum because so much related work (FWS Operational Plan, actual costs for FY04, Program Strategic Plans) has not been finalized yet. We plan to complete a full review near the end of FY05 when ABC cost data and performance data are better integrated (linkages are made) and more cost information is available.

**New Guidance on Charging to Activities**

In FY05, employees are encouraged to code to the Activity that most accurately describes the work performed. By coding to the most accurate Activity, some of the administrative burden on employees who are not involved with “on-the-ground” mission work will be alleviated. This change will 1) allow the employees to identify more clearly with the work they are doing and code to that work and 2) allow FWS to get a more consistent picture of its support costs by employees in support organizations and by employees in programs such as Endangered Species, National Wildlife Refuge System, Fisheries, etc. For example, in FY04 an Administrative Officer (AO) who performed human resources work, budget work, etc. at a Refuge may have coded their time in support of Mission Activities 4K: Implement Recovery Actions or T2: Manage and Protect Wetlands. For FY05, we are asking that AO to code to 5K: Provide Office Support, 4F: Perform Financial Management Operations, and/or other Activities that more accurately describe the work performed.

In FY04, employees were encouraged to code to the Mission Activities in Processes 1, 2, 4, and 5 instead of the support (indirect) Activities in Processes 3 and 6. We provided that guidance in FY04 because the Service hoped to learn the “full” and most accurate cost for each mission-related activity. We wanted to

rely as little as possible on an allocation system that reallocates the support costs generally. But this approach caused an inconsistent interpretation on coding for support-type work and added to the administrative burden on field employees.

### **Changes to the list of ABC Activities**

In FY05, FWS will have 154 mission Activities and 32 support Activities for a grand total of 186 which is a net increase of 12 additional Activities. In FY04, FWS had 140 mission Activities and 34 support Activities for a grand total of 174. Most of the changes to the FWS list of Activities for FY05 are the result of changes made at DOI. Three new activities (that replace one from FY04) were approved by the Deputies to allow the Project Planning folks from Fisheries and Habitat Conservation to accurately determine what costs should be reimbursed by FERC each year.

The DOI codes were deleted from our ABC system so for FY05 we are just using a two digit FWS code. This change will simplify our system and the work involved in keeping up with changes to DOI Activities which, by the way, are not finalized yet. All bureaus in DOI decided that they would no longer imbed the DOI codes as part of the bureau coding string – this will give each bureau more control of when and how many changes are made each year. The FWS codes (the last two in the original ABC codes) are the same – we simply dropped the first two DOI codes. For example, the Activity “Implement Candidate Conservation Actions” code was “7ZE7” in FY04 and will be “E7” in FY05. The ABC system will continue to maintain the crosswalk from FWS Activities to DOI Activities.

We have moved some Activities from Process 3: Provide Services, Outreach, and Security into Process 6: Manage Budget and Administrative Functions. This change allowed us to make all the Activities in Processes 1 - 5 mission (direct costs) Activities, and only the Activities in Process 6 will be considered support (indirect costs/overhead) Activities. We also renamed Process 3 Serve People.

Updates to the ABC Activity Dictionary and the Employee Time Reporting Worksheet will be placed on the Service’s ABC website (<http://planning.fws.gov/abc/>). The ABC Activity Dictionary will contain the updated list of Activities, Codes, and Descriptions. The Employee Time Reporting Worksheet will contain the updated list of Activities, codes, and pay periods for FY05.

Thank you again for your assistance in this critical effort. If you have any questions on the development, design, or implementation of ABC/M, please contact Kathy Tynan at 703-358-2088.

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*Our mission is, working with others, to conserve, protect and enhance fish, wildlife, and plants and their habitats for the continuing benefit of the American people.*